

A. Business Purpose and Foundations

Index	Data Reference	Sources, Assumptions, Methodologies
		≈ 2000 Uninsured Rate – 0.144
		≈ 1998 Uninsured Rate – 0.163
		≈ Divide the 2000 Uninsured Rate (.144) by the 1998 Uninsured Rate (.163) to arrive at .883. Take .883 to the power of $(1/(2000-1998))$ or $\frac{1}{2}$, and subtract 1. Multiply this number by 100 (to turn the number into a percentage) to arrive at -6.0%. This is the rate the uninsured population has decreased in Georgia between 1998 and 2000.

B. Competition

Index	Data Reference	Sources, Assumptions, Methodologies
B.1	<ul style="list-style-type: none"> Companies licensed to transact health insurance in Maryland, Delaware, and Washington, D.C. 	<ul style="list-style-type: none"> Sources: <ul style="list-style-type: none"> InterStudy, <i>HMO Directory</i>, 11.2 edition (2000 data) InterStudy, <i>PPO Directory and Performance Report</i>, 2.0 edition (2000 data) Methodologies: <ul style="list-style-type: none"> Unique is defined as insurers that have different parent companies/ownership The number of unique HMO and PPO insurers listed in the InterStudy directories were counted within CareFirst's jurisdictions: Maryland, Delaware and Washington D.C. <ul style="list-style-type: none"> > Combined, there are 54 unique HMO and PPO insurers <ul style="list-style-type: none"> ≈ 6 insurers offer both PPO and HMO plans > There are 16 unique HMOs operating in the three CareFirst jurisdictions <ul style="list-style-type: none"> ≈ 4 HMOs serve members in all three CareFirst jurisdictions <ul style="list-style-type: none"> ≡ Aetna U.S. Healthcare ≡ CareFirst, Inc. ≡ CIGNA HealthCare ≡ Mid-Atlantic Medical Services, Inc. > There are 44 unique PPOs <ul style="list-style-type: none"> ≈ Approximately 60% operate in all CareFirst three jurisdictions
B.2	<ul style="list-style-type: none"> Definition of "Medical Coverage" 	<ul style="list-style-type: none"> Sources: <ul style="list-style-type: none"> CareFirst, product marketing materials, 2001 Methodologies: <ul style="list-style-type: none"> CareFirst defines medical coverage as members who are enrolled in individual, small group, or large group medical service products including HMO, PPO, POS, and Indemnity plans. Members enrolled in Ancillary products such as dental and vision plans only are not considered "medically covered members."
B.3	<ul style="list-style-type: none"> CareFirst market share: CareFirst membership divided by the eligible population residing in each CareFirst jurisdiction 	<ul style="list-style-type: none"> Sources: <ul style="list-style-type: none"> WellPoint, enrollment data, September 2001 CareFirst, enrollment and population data, June 2001 utilizing: <ul style="list-style-type: none"> > CACI Marketing Systems' Scan/U.S. demographic software based on Census 1990 data > Employee Benefits Research Institute, <i>Primary Sources of Coverage</i>, 1999 data Assumptions: <ul style="list-style-type: none"> > As noted below, WellPoint provided Unicare membership by state of residence. In order to match Unicare members with CareFirst jurisdictions, we had to exclude the Unicare members residing in Montgomery and Prince George counties. We assumed that total Unicare Maryland membership multiplied by the percentage eligible population in Montgomery and Prince George (as a portion of Maryland's total eligible population) would serve as a reasonable proxy for Unicare membership in these two counties. Methodologies: <ul style="list-style-type: none"> CareFirst membership was divided by the "eligible population" residing in each CareFirst jurisdiction. <ul style="list-style-type: none"> > Eligible population is defined as the population that is covered by commercial insurance and excludes the uninsured, CHAMPUS, and 65+ with traditional Medicare only <ul style="list-style-type: none"> ≈ Scan/U.S. software projected June 2001 population counts for each county for residents aged <65 and 65+ ≈ The <i>Primary Sources of Coverage</i> report estimated the percentage of population aged <65 and 65+ that were not covered by commercial insurance in 1999 > CareFirst Maryland is comprised of all counties except Montgomery and Prince George - these two counties border Washington, D.C. and are considered part of CareFirst's Washington, D.C. affiliate, formerly Blue Cross Blue Shield of the National Capital Area.

B. Competition

Index	Data Reference	Sources, Assumptions, Methodologies
		<ul style="list-style-type: none"> > CareFirst National Capital Area is comprised of the District of Columbia, two Maryland counties, Montgomery and Prince George, as well as the following counties in northern Virginia: <ul style="list-style-type: none"> ≈ Alexandria, Arlington, Fairfax, Fairfax City, Falls Church, Fauquier, Frederickburg, Loudon, Manassas, Manassas Park, Prince William, Spotsylvania and Stafford > CareFirst Delaware is comprised of all counties in the state > As provided, Unicare Maryland, Delaware and the District of Columbia are each comprised of all counties in the state > Unicare Virginia membership is limited to the same counties of northern Virginia as identified for CareFirst National Capital Area <p>WellPoint provided us with a count of Unicare members by state of residence: Maryland, Delaware, the District of Columbia and Virginia. In order to apply the appropriate number of Unicare members to each CareFirst jurisdiction, we made the following adjustments:</p> <ul style="list-style-type: none"> > First, we calculated the percentage of eligible population residing in Montgomery and Prince George counties as a portion of the total eligible population in Maryland > Second, we applied this percentage to the Unicare members identified as residing in Maryland > Next, we subtracted these members from the total Unicare members identified as residing in Maryland. The difference was added to CareFirst Maryland to determine the incremental change in market share > To determine the incremental change in market share for CareFirst National Capital area, we added the estimated Unicare members residing in Montgomery and Prince George counties (calculation outlined above) and the Unicare members identified as residing in the District of Columbia and Virginia > No adjustment was required to Unicare Delaware membership to determine the incremental change in market share for CareFirst Delaware
B.4	<ul style="list-style-type: none"> • Combined market share of CareFirst's three largest competitors in the region has been increasing 	<ul style="list-style-type: none"> • Sources: <ul style="list-style-type: none"> - CareFirst, internal market share data, 1995- 2000 • Methodologies: <ul style="list-style-type: none"> - (See CareFirst market share, methodologies section for detail regarding how CareFirst calculates market share) - CareFirst's three largest competitors are: Aetna, Kaiser, and MAMSI. Their combined market share went from 22% in 1995 to 37% in 2000.

C. Availability and Accessibility of Doctors and Hospitals

Index	Data Reference	Sources, Assumptions, Methodologies
C.1	<ul style="list-style-type: none"> WellPoint Blue Cross of California provider contract growth 	<ul style="list-style-type: none"> Source <ul style="list-style-type: none"> WellPoint, internal contracting data, December 2001 Methodologies: <ul style="list-style-type: none"> WellPoint provided year-end contract counts for the 1994-2000 time period <ul style="list-style-type: none"> Physician and Hospital contract counts were supplied for both the HMO and PPO product lines
C.2	<ul style="list-style-type: none"> Blue Cross Blue Shield of Georgia provider contract growth 	<ul style="list-style-type: none"> Source <ul style="list-style-type: none"> Blue Cross Blue Shield of Georgia, internal contracting data, December 2001 Methodologies: <ul style="list-style-type: none"> Blue Cross Blue Shield of Georgia provided contract counts as of March 30th of each year over the 1995-2001 time period <ul style="list-style-type: none"> Physician, Clinician and Hospital contract counts were supplied for both the HMO and PPO product lines
C.3	<ul style="list-style-type: none"> Physician-to-Population Ratio: The number of physicians per 100,000 residents 	<ul style="list-style-type: none"> Sources: <ul style="list-style-type: none"> American Medical Association, <i>Physician Characteristics and Distribution in the U.S.</i>, 1994 – 2002 editions InterStudy, <i>HMO Industry Report</i>, 5.2 and 11.2 editions (1995 and 2000 data) Assumptions: <ul style="list-style-type: none"> There does not appear to be a correlation between the states that experienced a slower than average growth in physician-to-population ratio and those states that experienced a higher than average growth in HMO penetration from 1994-2000 <ul style="list-style-type: none"> Obtained state HMO penetration data for 1994 and 2000 and compared the CAGR for each state against the CAGR of the physician-to-population ratio over the same time period Methodologies: <ul style="list-style-type: none"> National and state physician-to-population ratios are published annually by the American Medical Association (AMA) <ul style="list-style-type: none"> The ratios are published within the Physician Trends chapter of <i>Physician Characteristics and Distribution in the U.S.</i> The ratio is based on the number on non-Federal physicians in each state The number of residents in each state is also published by the AMA and is sourced from the U.S. Census Bureau Identified Blue Cross Blue Shield health plans that converted to for-profit status prior to 2000. The four parent Blues plans and the states that make up their operating region are listed below: <ul style="list-style-type: none"> Anthem BlueCross BlueShield: Colorado, Connecticut, Indiana, Kentucky, Maine, Nevada, New Hampshire and Ohio <ul style="list-style-type: none"> Kansas was excluded because its conversion and merger with Anthem is still pending regulatory approval Cobalt: Wisconsin Trigon: Virginia WellPoint: California, Georgia, Missouri
C.4	<ul style="list-style-type: none"> Leonard Schaeffer Comments: Regarding WellPoint's relationship with Physicians 	<ul style="list-style-type: none"> Sources: <ul style="list-style-type: none"> Company Boardroom (companyboardroom.com), audio broadcast of WellPoint and RightCHOICE Merger Conference Call, October 18, 2001 WellPoint, <i>WellPoint and RightCHOICE to Merge</i>, October 17, 2001 (press release)
C.5	<ul style="list-style-type: none"> WellPoint appointment of a Chief Medical Officer 	<ul style="list-style-type: none"> Sources: <ul style="list-style-type: none"> WellPoint, <i>Dr. Woodrow Myers Joins WellPoint as Chief Medical Officer</i>, August 15, 2000 (press release)
C.6	<ul style="list-style-type: none"> HSCRC: Maryland Hospital Rates are set by HSCRC 	<ul style="list-style-type: none"> Sources: <ul style="list-style-type: none"> Maryland General Assembly website (mlis.state.md.us), <i>Insurance Code § 15-604</i>, 2001

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